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Volatile Spy Chief

Casey Raises Morale And Budget at CIA, But Not Public Image

Stumbling on Covert Action Obscures Higher Quality Of Intelligence Analyses

The Nine Mexico Revisions

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WASHINGTON—Some years ago, William Casey wanted to buy a fancy house here that had already been promised to the Japanese embassy. The owner, a genteel society woman, worried about what she would say to the Japanese.

"Tell them," Mr. Casey replied, "Remember Pearl Harbor." The brash Mr. Casey didn't get the house.

That anecdote, told by one of Mr. Casey's close friends, illustrates the volatile personality of the current director of central intelligence. He is quick-witted and aggressive, but he is also impulsive, with an arrogant streak that often gets him in trouble.

As CIA director, Mr. Casey has demonstrated that same mix of good and bad traits, of smart decisions and dumb ones. He arrived four years ago hoping to restore the agency's morale, budget and public image after a damaging decade. He has done well on the first two goals, reviving enthusiasm at the CIA and giving it probably the largest proportionate budget growth of any agency. But he has failed to improve the CIA's image with Congress and the public—and may even have made it worse—largely because of his own mistakes.

William Casey

Mr. Casey slipped on the banana peel of "covert action"—specifically the CIA's "covert" war against the government of Nicaragua. He plunged ahead, despite warnings from his own aides that the program couldn't be kept secret and would blow up in the CIA's face. When those predictions came true, Mr. Casey made things worse by mishandling his already strained relationship with Congress.

"What Bill did wrong was to let the agency get back into large-scale covert action, which isn't covert action at all, but an unofficial form of warfare," argues Sen. Daniel P. Moynihan, a former member of the Senate Intelligence Committee and one of Mr. Casey's sharpest critics.

A leading member of the House Intelligence Committee sums up the balance sheet this way: "Mr. Casey deserves credit for improving morale at the agency. But he has focused the agency on the wrong thing—covert action. And I don't have any doubt that the image of the CIA today is as bad as it's been in recent years in Congress, and probably the country."

Irreverent New Yorker

Mr. Casey, a New Yorker who is irreverent toward official Washington, isn't wild about Congress, either. Exasperated by what he viewed as unfair congressional criticism, he joked to a friend recently: "The best thing about Washington is that it's only an hour from New York." Though he remains wary of Congress, aides say he now is trying hard to improve relations.

For all his failings, the cantankerous Mr. Casey is a colorful personality in a generally gray administration. He is a compulsive reader who races through several books in an evening. He has an Irishman's temper, with strong loyalties to his friends and long grudges against his enemies. And he is a notorious mumbler, who talks in gruff fragments of sentences that are often unintelligible.

"Casey gives the impression, because he mumbles, that he has a messy mind," says former CIA director Richard Helms. "But he doesn't have a messy mind at all. He has a tidy mind. And he has the street smarts of a lot of New Yorkers."

OSS and SEC

A CIA colleague once described Mr. Casey, only half in jest, as "an American colossus." He is certainly an American success story, a self-made millionaire who got where he is by hustling, playing politics and taking risks. As a young lawyer, he joined the wartime Office of Strategic Services and ran spies into Europe. Later, he made a fortune as a tax lawyer by publishing books about tax laws. Still later, he was chairman of the Nixon-era Securities and Exchange Commission. Finally, he managed President Reagan's 1980 presidential campaign.

Mr. Casey brought the same hard-charging, risk-taking style to the CIA, and it caused him problems. The agency, still struggling to recover from the traumas of the 1970s, was in many ways a frightened and self-protective institution when he arrived. It wanted public and congressional support, and that meant avoiding controversies. Mr. Casey, in contrast, wanted to mobilize the agency and test the limits of its congressional mandate.

The new director plunged into his job with boyish enthusiasm—zapping off daily suggestions to CIA analysts, touring CIA stations overseas, and taking a personal hand in planning covert-action programs. In his eagerness to revive the agency, remarked one colleague, Mr. Casey sometimes acted "like a first-year case officer."

His greatest successes at the CIA have probably been in improving the analytical side of the agency, known as the directorate of intelligence. He told one friend in 1981 that he knew how to produce good intelligence estimates because he had earned a fortune doing the same thing in his tax guides—taking complex data and putting it into concise and readable form.

Mr. Casey started by reorganizing the intelligence directorate along mainly geographical lines, so that analysts studying the Soviet economy and the Soviet leadership worked in the same section rather than different ones. He increased the quantity and, by most accounts, the quality of CIA reports. And he installed Robert Gates, a widely respected young CIA officer, as deputy director for intelligence.

Some of the analytical reforms were simple. The CIA had never bothered, for example, to keep files of each analyst's work, so it was impossible to assess whether an analyst's predictions tended, over time, to be accurate. Mr. Casey and Mr. Gates started keeping files.

The CIA still makes too many mistakes. It correctly forecast some major events in Lebanon, from the Israeli invasion in 1982 to Syria's later intransigence, but it failed to provide specific warnings about the bombs that destroyed the American Embassy and Marine headquarters in Beirut in 1983. It correctly forecast that Yuri Andropov would succeed Leonid Brezhnev as Soviet leader, but it failed to predict the later succession of Konstantin Chernenko.

Trying Harder

Under Mr. Casey and Mr. Gates, analysts are at least trying harder. The intelligence community produced 75 interagency estimates in 1983, compared with about 12 in 1980, and the agency embarked on about 800 long-term research projects, studying everything from likely Soviet weapons in the year 2000 to the history of Shiite Islam in the 12th century.

Mr. Casey has also become a kind of editor in chief for his analysts—sending back estimates he disagrees with—a practice that has upset some of his staff. Last year, for example, Mr. Casey is said to have sent an estimate about political stability in Mexico back for revision nine times, prompting the unhappy analyst to leave the CIA when his contract expired.

What Mr. Casey didn't like about the Mexico estimate was that it discounted the likelihood of political upheaval there; the CIA director saw a greater risk of turmoil spreading throughout Central America if the U.S. didn't adopt tough policies. Mr. Casey's critics see the incident as an example of efforts to politicize the agency. His defenders argue he was only trying to make sure the agency wasn't caught flat-footed by change, as it was in 1978 by the Iranian revolution.

A Bad Start

Criticism of Mr. Casey goes back to the days when he first took over the agency. He quickly got in trouble—with Congress and the CIA old-boy network—by appointing Reagan campaign aide Max Hugel as head of the directorate of operations, the most sensitive part of the CIA. Mr. Casey wanted to shake up the clandestine service by appointing an outsider. He also hoped that Mr. Hugel, a successful businessman, could work with American corporations and other private organizations to provide new forms of unofficial cover for CIA officers overseas.

But the appointment soon turned sour. Mr. Hugel resigned amid charges that he had been involved in unethical stock deals, and there was soon a congressional investigation of Mr. Casey's own finances. The CIA director grumbled privately that the investigation of him was "outrageous."

Underlying the congressional criticism of Mr. Casey was the fear of politicization. The charge was probably inevitable, given Mr. Casey's close relationship with President Reagan and the fact that he wore two hats—as the president's chief intelligence officer and as a senior policy adviser. Critics worried that the director would manipulate CIA estimates and covert-action capabilities to support his own policy views.

Pros and Contras

Mr. Casey's gung-ho philosophy led him into the covert war against Nicaragua's Marxist Sandinista government, and a damaging confrontation with Congress. The Central America campaign was in many ways Mr. Casey's private war—conceived and directed by him. He came back from one 1983 field trip to Honduras boasting that the agency, with only 20 or so American intelligence officers in the field, was creating an aggressive guerrilla army.

The Central America program was controversial within the CIA. Some officials were enthusiastic, developing elaborate battle plans for the Contras to mount a two-prong attack from north and south and split Nicaragua in two. But Mr. Casey's own deputies—first Adm. Bobby R. Inman and later John McMahon—were skeptical.

In late 1982, Mr. McMahon warned Mr. Casey that the program couldn't be kept secret and should be transferred from the CIA to the Pentagon. Mr. Casey allowed the deputy director to make his case to the National Security Council, but the move was rejected. So the program stayed at the CIA.

The covert-aid program exploded last year following disclosure that the CIA-backed rebels had been mining the harbors of Nicaragua. In the ensuing uproar, a skittish Congress cut off funds for the Contras. The congressional mood soured even more in October after disclosure that the CIA had prepared a training manual for the Contras condoning assassination and encouraging them to overthrow the Nicaraguan government.

A Loss of Trust

Mr. Casey lost congressional support partly because key members of Congress stopped trusting him. In their view, the CIA director failed to brief the congressional intelligence committees adequately about the Nicaraguan mining operation—thereby violating the system of congressional oversight that had been established in the 1970s.

For example: At a briefing in January 1984 about the CIA mining operation, a senior CIA official told the House Intelligence Committee that the agency wasn't mining Nicaraguan harbors. It was, he admitted, mining Nicaraguan *anchorages*. This sort of evasiveness lost Mr. Casey and the CIA many friends.

Mr. Casey now concedes to friends that he may have botched his relations with Congress, partly because he was peeved by the 1981 congressional investigation of his finances. Aides say he is trying hard to mend fences.

More Ph.D.s Than Tricksters

"I would rate his relations with Congress as a disaster," says a former top CIA official. He worries that because of the covert war in Central America and his feud with Congress, Mr. Casey may have "irreparably damaged" his reputation as CIA director.

The recent wave of bad publicity about covert action, reminiscent of the congressional exposures of the 1970s, upsets CIA officials because it undermines support for the agency's other activities. The modern CIA, they stress, is largely a collection of scientists, analysts and technicians—with far more Ph.D.s than dirty tricksters. Officials note that covert-action programs as a whole account for only about 5% of the CIA budget and only 1.5% of total U.S. intelligence spending.

Mr. Casey has won a promise from President Reagan that he can keep his post during the second term, but some of his friends doubt he will stay four more years. And in thinking about his eventual successor, Mr. Casey may have made an important judgment about the lessons of his own stormy tenure as CIA director.

He has decided, according to one friend, that the post should probably go to a professional intelligence officer.